

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

TARIFF FILING OF KENTUCKY UTILITIES) CASE NO. 2003-00396
COMPANY AND LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR NON-)
CONFORMING LOAD CUSTOMERS)

AN ADJUSTMENT OF THE ELECTRIC) CASE NO. 2003-00434
RATES, TERMS AND CONDITIONS OF)
KENTUCKY UTILITIES COMPANY)

**SUPPLEMENTAL MOTION OF NORTH AMERICAN STAINLESS
CONCERNING ISSUE CONSOLIDATION**

North American Stainless ("NAS") hereby supplements its February 20, 2004 Response in Opposition to Kentucky Utilities' ("KU") Motion to Consolidate the above-referenced cases. In order that the Commission may resolve the issues presented in Case No. 2003-00396 by March 31, 2004, NAS moves that the cost of service study submitted by KU in its general rate case, Case No. 2003-00434, be placed into the record in Case No. 2003-00396 so that all factors that are germane to KU's proposed "Non-Conforming Load Service" ("NCLS") tariff and NAS' complaint can be addressed. If the Commission decides to consolidate Case Nos. 2003-00396 and 2003-00434, NAS reiterates its requests that the Commission direct KU to place NAS on an interim rate

based on KU's LCI-TOD tariff when the current NAS power supply agreement with KU terminates.

Background

By motion dated February 12, 2004, Louisville Gas and Electric Company ("LG&E") and KU requested an order consolidating Case 2003-00396, a matter concerning electric service provided by KU to NAS at certain of NAS' facilities in Ghent, Kentucky, with Case No. 2003-00434, a general electric rate case filed by KU on December 29, 2003. Case No. 2003-00396 previously consolidated a complaint filed by NAS on September 23, 2003, concerning rates and terms for electric service supplied to its electric arc furnace operation upon the expiration of its current special contract on March 31, 2004, and a subsequent tariff filing by LG&E and KU of a newly created and unique tariff intended to apply only to the NAS load that is the subject of the above referenced complaint.

On February 20, 2004, NAS filed a response in opposition to KU's motion to consolidate. NAS opposed KU's motion to consolidate for the following reasons:

1. Consolidation is unnecessary because NAS is the only ratepayer affected by KU's tariff proposal and the record concerning the NAS complaint and KU's proposed NCLS tariff is substantially complete;
2. Consolidation will impair NAS' ability to plan and conduct its melt shop operations due to the uncertainty such action will create concerning the actual rates and terms of service that will apply to the melt shop for several months;
3. Consolidation is unwarranted because the cost of service study filed by KU does not even attempt to identify the "particular cost of service" and NCLS load;
4. The interim relief proposed by KU, temporary imposition of its NCLS tariff subject to refund, is unfair and will subject NAS to unprecedented terms of service that KU has not demonstrated are warranted, *i.e.*, a 5

minute demand interval, and terms that may lead to lost steel production for which NAS would not be reimbursed; and

5. Consolidation of NAS specific issues in the general rate case inevitably will lead to disclosure of commercially sensitive NAS energy usage and billing issues.

The Commission has not yet ruled on KU's request.

Supplemental Motion

A. The Commission Should Place KU's Cost Study into the Record in Case 2003-00396 and Decide the Case by March 31.

KU's motion to consolidate and the NAS response each seeks to reconcile the following competing yet undisputed considerations:

1. NAS requires reasonable and certain electric rates for its melt shop operation upon the expiration of its current power supply contract with KU on March 31, 2004.
2. A temporary rate subject to true-up and refund or crediting would leave NAS uncertain as to its costs of steel production. This would unfairly impair NAS' ability to schedule production and price its products.
3. The NCLS tariff contains a number of unprecedented rate and non-rate terms that render it particularly inappropriate as an interim rate vehicle for NAS.
4. NAS, KU and the Commission all benefit from resolving NAS' complaint claims and KU's NCLS proposal at one time and taking into account all pertinent facts.

KU did not offer a cost-based justification for its proposed NCLS tariff in Case No. 2003-00396. KU has argued that consolidation is warranted to ensure that NCLS customers bear a fair share of the proposed rate increases based on "their particular cost of service" based on the cost of service study filed in the general rate case. Motion to Consolidate at 2. Given the other considerations noted above, and NAS' legitimate concerns regarding public disclosure of commercially sensitive data, a better approach is to place the cost of service study submitted by Mr. Seelye in Case No. 2003-00434 (Exhibits 4 and 5) into the record in Case No. 2003-00396. Placing the cost study in the

record in the NCLS tariff proceeding will permit the Commission to consider all factors pertinent to KU's tariff proposal and NAS' complaint and to resolve those matters in a timely fashion relative to the expiration of the current NAS service agreement with KU, thus avoiding interim rate questions altogether. This also allows those issues to be resolved without disclosure in the rate case of NAS-specific information that NAS considers to be commercially sensitive.

B. If the Commission Consolidates the NCL Tariff Proceeding and the General Rate Case, the Commission Should Put NAS on a Fixed Interim Rate Based on the LCI-TOD Tariff.

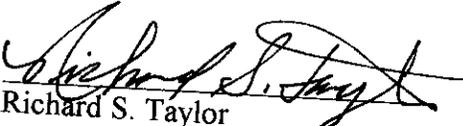
If the Commission elects to consolidate the NCLS tariff proceeding with KU's general rate case, NAS renews its request in its Response in Opposition that the Commission require KU to place NAS on a fixed interim rate based on the LCI-TOD rate until the case is decided. The proposed NCLS tariff contains several unprecedented and potentially costly features that KU has not justified and which NAS believes cannot be justified. NAS strongly urges the Commission to adopt the LCI-TOD rates for such an interim rate. In that regard, NAS notes that at its present rates, Mr. Seelye's cost study indicates a rate of return for the LCI-TOD class of 9.6%, or more than double the KU system average return. Seelye, Ex. 5, 54 of 72. Thus, applying this rate to the NAS load will certainly provide adequate cost coverage to KU during the interim period.

Conclusion

For the reasons stated above, NAS urges the Commission to place the cost of service study submitted by KU in Case No. 2003-00434 into the record in Case No. 2003-00396, and to reject KU's motion to consolidate. If the Commission decides to

consolidate Case Nos. 2003-00396 and 2003-00434, NAS urges the Commission to direct KU to place NAS on a fixed, interim rate based on KU's LCI-TOD tariff when NAS' current power supply agreement terminates.

Respectfully submitted,



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Dated: March 5, 2004

CERTIFICATE OF SERVICE

I certify that a copy of the above and foregoing *Supplemental Motion of North American Stainless Concerning Issue Consolidation* was mailed this 5th day of March, 2004 to the following by first class mail, postage prepaid:

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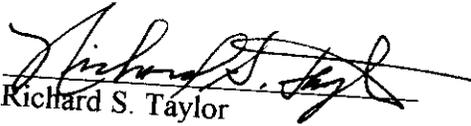
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